

**BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA**

**DOCKET NO. 2018-319-E**

In the Matter of:	)	
	)	<b>REBUTTAL TESTIMONY OF</b>
Application of Duke Energy Carolinas, LLC	)	<b>RETHA HUNSICKER</b>
for Adjustments in Electric Rate Schedules	)	<b>FOR DUKE ENERGY</b>
and Tariffs and Request for Accounting Order	)	<b>CAROLINAS, LLC</b>

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## **I. INTRODUCTION**

1   **Q.   PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND CURRENT**  
2       **POSITION.**

3   A.   My name is Retha Hunsicker and my business address is 400 South Tryon Street,  
4       Charlotte, North Carolina. I am employed by Duke Energy Business Services,  
5       LLC as Vice President, Customer Connect-Solutions.

6   **Q.   DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS**  
7       **PROCEEDING?**

8   A.   Yes.

9   **Q.   WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10  A.   The purpose of my rebuttal testimony is to respond to ORS Witness Zachary  
11       Payne's recommendation to disallow the projected two year (2019-2020) average  
12       operating and maintenance ("O&M") expense of \$4,025,000 for the Customer  
13       Connect Program because, he argues, the costs are not known and measurable.

14  **Q.   DO YOU AGREE WITH THIS RECOMMENDATION?**

15  A.   No, I do not. While I am not a lawyer or an accountant, I have been advised that  
16       the known and measurable standard is a standard for recognizing out of period  
17       adjustments to historical test-period data. In such cases, changes occurring after  
18       the close of the test period may be recognized only if they are known (there is a  
19       high degree of certainty that change will in fact occur) and measurable (the effect  
20       of the change can be accurately quantified in advance). The Company's  
21       calculation of incremental O&M expense for 2019 and 2020 clearly meets this  
22       standard. As I explain below, the expenses are "known" because the Company

1 has entered into fixed contracts with multiple vendors to develop the program,  
2 and these contracts contain provisions requiring the Company to provide specified  
3 levels of internal labor to support execution of the work. The expenses are  
4 “measurable” because the fixed contracts contain specified price terms, which  
5 serves as the basis for the Company’s forecasted expenses. Further, the Company  
6 is in the process of completing the hiring of the aforementioned internal labor to  
7 support execution of the work under the contracts.

8 The Company used a disciplined process to forecast the expenses using  
9 the fixed fee contracts for software, system integrator professional services, and  
10 change management and training professional services as the foundation. These  
11 contracts account for a significant portion of the overall cost of the program. The  
12 contracts specify the amount of labor the Company must provide to execute the  
13 contracts.

14 Further, much of 2018 was spent completing the high-level future state  
15 design for the core meter-to-cash solution. As such, the Company now has an  
16 even clearer picture of the level of effort required to modify the interfacing  
17 systems and have entered into fixed fee contracts with numerous  
18 integration/dependent partners to complete this work. These contracts account for  
19 more than 55 percent of the initial estimate for this work; the remaining 45  
20 percent accounts for hardware and software purchases and internal labor to  
21 support the scope of the contracts.

1   **Q.   HOW WERE THE REQUESTED EXPENSES DERIVED?**

2   A.   The best and final offers from the extensive request for proposal (“RFP”) process  
3       were used as the foundation for the forecast. The Company submitted the RFP in  
4       June 2016 and received bids from four Systems Integrator teams and two  
5       Software Package vendors for all components of the program in August 2016.  
6       The Company evaluated the vendors through demos and orals/interviews, and  
7       conducted seven reference calls with other utilities before selecting SAP as the  
8       software vendor and Accenture as the systems integrator in February 2017. In  
9       June 2017, the Company executed contracts in accordance with the best and final  
10      offers with the selected vendors.

11           These executed contracts account for a significant portion of the overall  
12      cost of the program and cover primary software, systems integration professional  
13      services, and change management and training professional services as well as the  
14      amount of internal labor the Company is required to provide to complete the  
15      scope of the contracts. Specific costs to cover activities beyond the scope of the  
16      contracts but within the scope of the program, such as the effort to modify more  
17      than 100 interfacing systems, were added, leveraging established program  
18      estimating techniques and assumptions. These forecasted expenses were derived  
19      by members of the program team, each with extensive experience estimating and  
20      managing large-scale technology development programs similar to Customer  
21      Connect. The average O&M expense forecasted over the 2019-2020 period and  
22      attributable to DE Carolinas SC, which served as the basis for the incremental

1 revenue requirement in this case, is approximately \$4.7 million. That amount  
2 includes these components:

- 3 • Costs directly correlated with the fixed fee contracts, totaling  
4 approximately \$1 million.
- 5 • As described above, the fixed fee contracts contain provisions requiring  
6 the Company to provide specific levels of labor to support execution of the  
7 work. Costs for the incremental labor required to support the scope of the  
8 fixed fee contracts total approximately \$300 thousand.
- 9 • The cost to develop each interface is within the scope of the fixed fee  
10 contract; however, the cost for any modifications required of the  
11 interfacing systems is not within the scope of the fixed fee contract and  
12 represents a critical component of the overall program scope. Costs for  
13 the incremental labor required to modify the systems that the new  
14 Customer Connect solution will interface with total approximately \$100  
15 thousand.
- 16 • Costs for effective oversight, governance and quality management for the  
17 program, totaling \$300 thousand.
- 18 • Costs for key leadership positions for the program, totaling approximately  
19 \$200 thousand. These positions are filled, and their costs are known.
- 20 • Costs for cleanup of existing data in preparation for conversion into the  
21 new platform that were set following extensive benchmarking that  
22 occurred with other utilities that had recently completed a similar project.

These costs cover the activities associated with mitigating data conversion risks and total approximately \$200 thousand.

- It is necessary to ensure service to customers is not adversely impacted during the deployment of Customer Connect. Accordingly, we need to deliver training to end users of the new platform and hire incremental staff to minimize any negative impacts customers would experience post-deployment. These costs total approximately \$200 thousand.
- To ensure forecasted costs to cover inflation and contingency were calculated using appropriate methods, the Company's project management center of excellence commissioned an independent estimate review committee to review and approve these costs. These costs reflect the known risks and uncertain changes in cost or schedule that could occur over the length of the program and help to provide certainty that the program will not spend more than originally estimated. These costs total approximately \$1.8 million.

## II. CONCLUSION

**Q. DO YOU HAVE ANY ADDITIONAL COMMENTS IN CLOSING?**

A. Yes, I do. The Company is fully committed to Customer Connect. No one in this case has criticized the necessity of the system or the benefits it will enable for customers. In fact, the Program is already providing benefits to customers. In June 2018, Customer Connect deployed its first release which is foundational to building a holistic customer profile - gathering all relevant touchpoints customers are having with Duke Energy in real-time, such as web visits, phone calls, power

1       outages, outbound communications, and product and service participation. The  
2       Company also gained the ability to execute automated and targeted marketing and  
3       communication campaigns to better serve customers and personalize their  
4       experience. Also, in February 2019, leveraging insights from the holistic  
5       customer profile, the Company began using the new platform to predict the intent  
6       of customers when they call. This and other information has been made more  
7       readily available to customer care specialists, who are leveraging it for context  
8       into why a customer may be calling and having more informed and productive  
9       conversations with customers.

10               Throughout 2019, the Company will continue to build on functionality to  
11       enable more meaningful, personalized and valuable interactions for customers,  
12       including integration with the interactive voice response (IVR) system to better  
13       predict customer intent and expose that data to customer care specialists.

14               In 2020, the Company will introduce a universal bill format to help  
15       customers more easily view and understand their bill and energy usage. Lastly, in  
16       2021 and 2022, the Company will deploy the final components of the core meter-  
17       to-cash solution. In addition to all meter-to-cash processes, the Company will  
18       begin providing customers with additional self-service capabilities and portals,  
19       new rate offerings and advanced billing options.

20   **Q.     DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

21   **A.     Yes.**